FIRST LIGHT

24 July 2025

RESEARCH

INFOSYS | TARGET: Rs 1,536 | -2% | HOLD

Strong quarter but underwhelming revenue guidance for FY26

KEI INDUSTRIES | TARGET: Rs 4,200 | +6% | HOLD

Growth momentum intact; capex on track

BOB ECONOMICS RESEARCH | BANKING UPDATE FYTD26

Banking picture in FY26

BOB ECONOMICS RESEARCH | FOREX MARKETS TARIFF

Forex markets in an era of tariff siege

BOB ECONOMICS RESEARCH | GST

A big transformational success story

TATA CONSUMER PRODUCTS | TARGET: Rs 1,304 | +23% | BUY

Need to get growth businesses on track

PERSISTENT SYSTEMS | TARGET: Rs 3,918 | -30% | SELL

Growth slows down a tad. Poised for mediocre returns at 48x

UNITED BREWERIES | TARGET: Rs 2,094 | +4% | HOLD

Premium sales and margin targets are stretched

DALMIA BHARAT | TARGET: Rs 1,926 | -15% | SELL

Realisations drive quarterly show; challenges not resolved

SUMMARY

INFOSYS

- The 2.2% CC QoQ organic growth in 1QFY26 ahead of our flat estimate. But guidance upgrade to 1-3% (0-3% earlier) suggests weak 2H
- Strong large deal TCV (up 44% QoQ) seems largely driven by vendor consolidation with 'AI led efficiency' being a key theme
- Maintain estimates and Target PE multiple -20.2x- at 5% discount to that of TCS. Price correction since last report leads to upgrade to HOLD

Click here for the full report.

BOBCAPS Research
research@bobcaps.in

KEI INDUSTRIES

- Q1 revenue/EBITDA beat our estimates by 7%/3%, though margin was slightly below expectations at 10.0%
- Q1 revenue grew 26% YoY, driven by strong 60% YoY growth in exports and 21% growth in domestic sales
- Cut estimates, roll forward to Jun-27 EPS; TP at Rs 4,200 (40x unchanged); downgrade to HOLD

Click here for the full report.

INDIA ECONOMICS: BANKING UPDATE FYTD26

Deposit growth In FY26 so far (up to 27 Jun 2025), deposit growth has been lower at 10.1% compared with 11.1% in the same period last year. This can be attributed to a slower pace of growth in time deposits which have increased by 8.9% in Jun'25, compared with a growth of 11.8% in Jun'24. Incidentally, time deposits constitute about 88% of total deposits in terms of value. On the other hand, there has been a sharp increase in demand deposits to 18.1% this year, versus a muted growth of 6.2% in Jun'24.

Click here for the full report.

INDIA ECONOMICS: FOREX MARKETS TARIFF

2025 has begun with a bang with Mr Trump taking over as US President. While there have been several disturbances on the political side, the biggest disruption, which is now into 6th month, is the tariff issue. There have been several announcements made which have had an impact on the currency market. Any change in tariff structure for any country would mean change in the fundamentals affecting the currency which can change the current account deficit with exports being impacted. The major impact has however been on the dollar with the Fed thinking harder every time it meets to take a call on the interest rates. Against this background the performance of various currencies can be analyzed.

Click here for the full report.

INDIA ECONOMICS: GST

GST collections over the past 8 years have become a significant source of revenue for both states and centre. Since its implementation on 1 July 2017, its coverage has also seen a notable rise, given the increase in economic activity due to ease of doing business, greater focus on compliance and higher tax payer base. As a result, between FY19 and FY25, collections have risen by ~11% on CAGR basis. Bigger states like Maharashtra, Karnataka and Tamil Nadu have benefitted the most. Tax buoyancy has also improved notably from 0.6 in FY20 to 1.0 in FY25, thus signalling the benefits of improved tax structure, which correctly reflects the change in revenue with changes in economic activity.

Click here for the full report.

TATA CONSUMER PRODUCTS

- 1QFY26 sales came in 1% below consensus and our estimates while EBITDA was 3% below consensus and 1% below our estimates
- Coffee plantations margins have contracted in line with correction in coffee prices and high-cost inventory
- Growth prospects from distribution gains driven sales and scale driven margin expansion in “Growth businesses” remain intact. Retain Buy

Click here **for the full report.**

PERSISTENT SYSTEMS

- CC QoQ revenue growth at 3.3% was a tad soft. The company talked about delayed decision making and delayed ramp ups to be reasons
- Delayed salary hikes due to adverse demand conditions. Sticks to aspiration of US$2bn revenue and +200-300bps margin hike by FY27
- Estimates broadly maintained. maintain our target PE multiple which is at a premium to that of TCS by 25%. Retain SELL on valuation

Click here **for the full report.**

UNITED BREWERIES

- Sales were above consensus while EBITDA was lower due to interstate taxes and weakness in high margin region of Karnataka
- Premium EBITDA/case can reach 2x vs non-premium assuming same bottle collection rates, which is less likely
- Premium focus is logical, but growth targets are stretched on both volumes and margins. HOLD with INR2,094 target price

Click here **for the full report.**

DALMIA BHARAT

- Revenue remains flat YoY (-11% QoQ) to Rs 36.4bn, as volume gains took a back in a chase to improve realisations gains
- Cost stays flat YoY, largely driven by raw material cost and energy expenses saving, likely to reverse in the medium term
- Maintain earnings, introduce FY28 earnings with 13% EBITDA gains, value at 12x EV/EBITDA 1YF. Maintain SELL; TP revised to Rs 1,926

Click here **for the full report.**

RESULT REVIEW

HOLD
TP: Rs 1,536 | ∨ 2%

INFOSYS | IT Services | 24 July 2025

Strong quarter but underwhelming revenue guidance for FY26

- **The 2.2% CC QoQ organic growth in 1QFY26 ahead of our flat estimate. But guidance upgrade to 1-3% (0-3% earlier) suggests weak 2H**

  Strong large deal TCV (up 44% QoQ) seems largely driven by vendor consolidation with 'AI led efficiency' being a key theme
- **Maintain estimates and Target PE multiple -20.2x- at 5% discount to that of TCS. Price correction since last report leads to upgrade to HOLD**

Girish Pai
research@bobcaps.in

Much better-than-expected revenue performance: The 2.2% organic growth in CC QoQ terms was much better than the flat number we were estimating. Especially as third-party items came off 60bps QoQ (not expected by us). The EBIT margin came in lower at 20.8% versus our estimate of 21.5% largely due to higher-than-expected compensation cost impact and currency headwinds.

The underwhelming revenue guidance upgrade: Likely headwind in 2H seasonality, lower third-party items and revenue leakage: The upgrade from 0-3% to 1-3% seemed tame as it incorporates the strong 1Q performance, 40bps from inorganic growth. Implicitly there seems to be a downgrade for the rest of the 9 months. We think FY26<FY25 in CC revenue growth. The company says that it has visibility on the strongest half of the year – 1H and the guidance is based on what it currently sees in its business. This seems driven by weak TTM net new (down ~40%), seasonality, lower third-party items (which will hit more in the next 9 months YoY). We also suspect revenue leakage from loss due to vendor consolidation. With all large cap companies seem to see vendor consolidation as a positive, we suspect these same companies are also losing some customers due to same reason.

Vendor consolidation is a big theme with efficiency pass back a key factor: Every single example of large deal win including that of vendor consolidation, has efficiency weaved in. While some of the vendor consolidation is initiated by the customer, we think some of it is a case of vendors proactively taking cost take out solutions to their customers as existing incumbents dither. We may therefore be well and truly into a hyper phase of self-cannibalization in the quarters ahead.

Uncertainty remains especially in certain sectors. Decision making delayed: We suspect that the hyper focus on cost take out will continue even after a firming up of Tariffs as we believe that most customers will feel both first and second order impact of 'eating of tariffs' (see our latest sector note - **Uncertainty stays and 'eating the tariff' may impact even FY27**) that could pressure their elevated margins or lead to higher inflation (and higher interest rates) if passed on to end consumers.

Key changes

Target	Rating
▲	▲

Ticker/Price	INFO IN/Rs 1,575
Market cap	US$ 75.5bn
Free float	86%
3M ADV	US$ 124.5mn
52wk high/low	Rs 2,006/Rs 1,307
Promoter/FPI/DII	15%/32%/39%

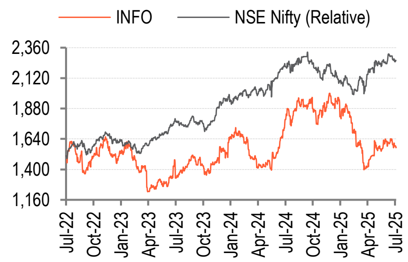
Source: NSE | Price as of 23 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,629,900	1,699,415	1,877,268
EBITDA (Rs mn)	392,350	406,111	449,735
Adj. net profit (Rs mn)	267,130	277,298	307,372
Adj. EPS (Rs)	64.4	66.8	74.1
Consensus EPS (Rs)	64.4	67.8	73.7
Adj. ROAE (%)	28.9	28.7	30.3
Adj. P/E (x)	24.5	23.6	21.3
EV/EBITDA (x)	16.3	15.6	13.9
Adj. EPS growth (%)	1.7	3.8	10.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD
TP: Rs 4,200 | ⮝ 6%

KEI INDUSTRIES | Consumer Durables | 24 July 2025

Growth momentum intact; capex on track

- **Q1 revenue/EBITDA beat our estimates by 7%/3%, though margin was slightly below expectations at 10.0%**
- **Q1 revenue grew 26% YoY, driven by strong 60% YoY growth in exports and 21% growth in domestic sales**
- **Cut estimates, roll forward to Jun-27 EPS; TP at Rs 4,200 (40x unchanged); downgrade to HOLD**

Vineet Shanker
research@bobcaps.in

Beat on revenue, margins slightly below expectations: KEII Q1 revenue/EBITDA performance was 7%/3% respectively, ahead of our estimates. Revenue grew by 26% YoY (-11% QoQ) led by 32% YoY (-11% QoQ) growth in cables, while EPC and stainless-steel wires revenue declined 56% YoY and 3% YoY respectively. Management highlighted that cables volume grew 27-28% YoY. EBITDA margin was 30bps below our estimates at 10.0%, contracting 50bps YoY (consensus 10.1%). Lower interest cost and higher other income (interest income from QIP proceeds) led to a significant jump in adjusted PAT by 30% YoY to Rs 2.0bn.

Growth was driven by robust exports, up 60% YoY; domestic sales grew 21% YoY: KEI's Q1 revenue growth driven by a sustained growth momentum in total exports sales (+60% YoY), albeit on a low base. Institutional cables exports (Domestic sales grew 21% YoY, which underperformed its peers. Polycab's domestic business grew 26% YoY. Channel wise, demand for institutional cables grew 44% YoY while dealer/ distributor channel grew 22% YoY. Domestic EHV cables revenue grew 47% YoY/1% QoQ.

Maintains guidance for 17-20% revenue growth over FY26-FY27, margin improvement beyond FY27: Management has guided for 17-18% revenue growth in FY26 and ~19-20% in FY27, with a strong momentum expected beyond FY27, as the Sanand plant becomes operational. Accordingly, we build in 17% revenue CAGR over FY25–28E. While management guides for 11% margin improvement in FY26, we expect the overall margins to stay under pressure in the near term on the under-absorption of initial costs from the new capacity ramp-up.

Revised estimates, downgrade to HOLD: We cut our FY26–27E EPS estimates by 2–5% to factor in the current quarter's performance. We estimate KEI to post a 17%/18%/17% revenue/EBITDA/PAT CAGR over FY25–28E, driven by strong domestic and export demand. Rolling forward to June-27 EPS and assigning an unchanged 40x multiple, we arrive at TP of Rs 4,200. Given the limited upside, we downgrade to HOLD.

Key changes

Target	Rating
◀ ▶	▼

Ticker/Price	KEII IN/Rs 3,970
Market cap	US$ 4.1bn
Free float	61%
3M ADV	US$ 16.4mn
52wk high/low	Rs 4,780/Rs 2,424
Promoter/FPI/DII	37%/27%/20%

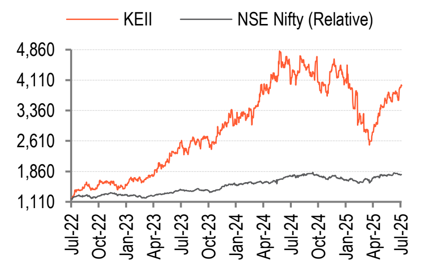
Source: NSE | Price as of 23 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	97,359	1,10,710	1,31,228
EBITDA (Rs mn)	9,910	11,392	13,779
Adj. net profit (Rs mn)	6,964	7,990	9,541
Adj. EPS (Rs)	72.9	83.6	99.9
Consensus EPS (Rs)	70.0	93.0	118.0
Adj. ROAE (%)	15.6	13.0	13.6
Adj. P/E (x)	54.5	47.5	39.8
EV/EBITDA (x)	36.7	32.9	26.9
Adj. EPS growth (%)	19.9	14.7	19.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BANKING UPDATE FYTD26

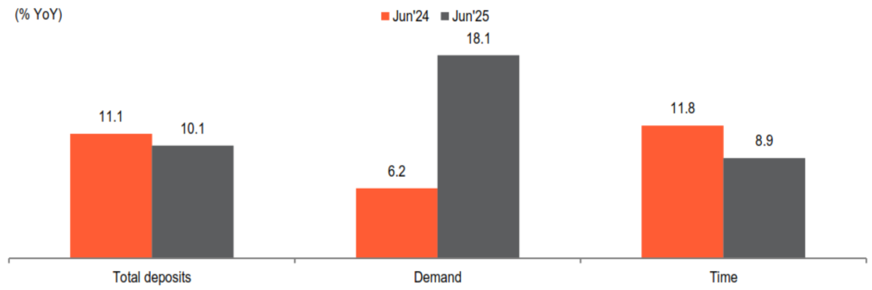
23 July 2025

Banking picture in FY26

Aditi Gupta
Economist

Deposit growth In FY26 so far (up to 27 Jun 2025), deposit growth has been lower at 10.1% compared with 11.1% in the same period last year. This can be attributed to a slower pace of growth in time deposits which have increased by 8.9% in Jun'25, compared with a growth of 11.8% in Jun'24. Incidentally, time deposits constitute about 88% of total deposits in terms of value. On the other hand, there has been a sharp increase in demand deposits to 18.1% this year, versus a muted growth of 6.2% in Jun'24.

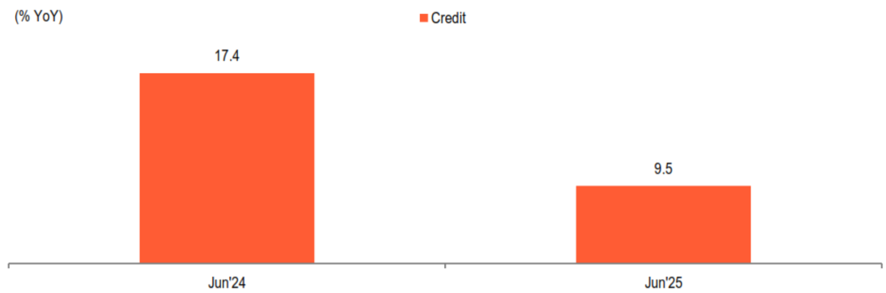
Figure 1: Deposit growth in Jun'25



Source: CEIC, Bank of Baroda Research|Note: Data as of 27 Jun 2025. Data classifies deposits into demand and time with savings being apportioned by a fixed formula.

Credit growth in FY26: Credit growth by SCBs moderated to 9.5% in Jun'25 (upto 27 Jun 2025), on a high base of 17.4% in the same period last year. Credit growth this year has been lower than deposit growth in the corresponding period, in stark contrast to the trend seen last year. The credit/deposit ratio stands at 78.9% this year, only marginally lower than 79.3% in the same period last year.

Figure 2: Credit growth in Jun'25



Source: CEIC, Bank of Baroda Research|Note: Data as of 27 Jun 2025

Sector-wise growth in credit FY26: Sectoral breakdown of credit is available upto May'25 and throws some light on the underlying trends in credit demand. The slowdown in credit growth in FY26 appears to be broad-based, with almost all categories noticing a moderation in credit offtake. Credit to the agriculture sector has moderated to 9.8% this year, compared with 19.8% in the same period last year.

FOREX MARKETS TARIFF

23 July 2025

Forex markets in an era of tariff siege

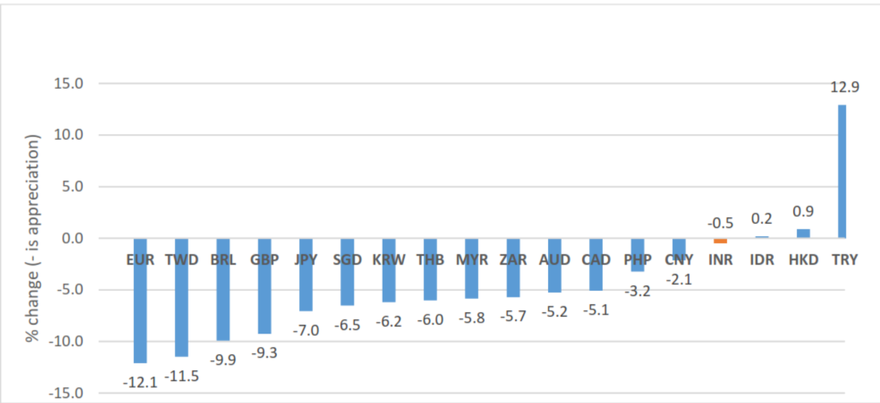
2025 has begun with a bang with Mr Trump taking over as US President. While there have been several disturbances on the political side, the biggest disruption, which is now into 6th month, is the tariff issue. There have been several announcements made which have had an impact on the currency market. Any change in tariff structure for any country would mean change in the fundamentals affecting the currency which can change the current account deficit with exports being impacted. The major impact has however been on the dollar with the Fed thinking harder every time it meets to take a call on the interest rates. Against this background the performance of various currencies can be analyzed.

Economic Research Department
Economist

Main takeaways

In this exercise the first 20 days before Mr Trump coming to power has been taken as a pre-policy period while the terminal point is the first fortnight of July which was when the Liberation Day deal announced was to be implemented but has been deferred till August 1. Nonetheless there have been some specific announcements for countries as well as for products.

Chart 1: Movements in currencies July (first fortnight) over January pre 20th



The graph above tracks how currencies have moved over the last 6 months or so with January (pre-20th) being compared with first fortnight of July. As can be seen, almost all the currencies considered here have appreciated with the exceptions being Indonesian rupiah, Hong Kong dollar and Turkish lira. The euro has strengthened the most by 12.1% followed by Taiwanese dollar and real of Brazil. The rupee has probably been the most evenly balanced with appreciation of just 0.5% which is similar to Indonesia where there was a marginal depreciation of 0.2% during this period.

GST

23 July 2025

A big transformational success story

Sonal Badhan
Economist

GST collections over the past 8 years have become a significant source of revenue for both states and centre. Since its implementation on 1 July 2017, its coverage has also seen a notable rise, given the increase in economic activity due to ease of doing business, greater focus on compliance and higher tax payer base. As a result, between FY19 and FY25, collections have risen by ~11% on CAGR basis. Bigger states like Maharashtra, Karnataka and Tamil Nadu have benefitted the most. Tax buoyancy has also improved notably from 0.6 in FY20 to 1.0 in FY25, thus signalling the benefits of improved tax structure, which correctly reflects the change in revenue with changes in economic activity.

This not only allows government to plan its revenue receipts better, but also acts as an early indicator to gauge GDP growth. Upon analysing the correlation of GST collections with nominal PFCE and net sales of all companies excluding banking and finance, we note that GST receipts almost perfectly correlate with the movement in private consumption and sales (0.97). Thus, given that GST collections rose by 11.8% in Q1FY26, we can expect nominal PFCE to also come in a similar range in Q1.

8 years of GST: GST came into effect from 1 July 2017, and since then its coverage has grown leaps and bounds. Currently, different slabs are as follows—Nil (0%), 5%, 12%, 18%, 28%, and special tax rates for gold/silver/diamond jewellery, rough/polished diamonds. From the states' kitty, GST subsumed—taxes such as VAT/sales, entertainment, luxury, lottery/betting/gambling, octroi and purchase tax. From centre's pool, service tax, and duties such as—central excise, additional excise, additional custom, special additional custom, and those levied on medicinal and toiletries preparation were brought under the ambit of GST. Reflecting the level of formalisation of the economy, GST tax payer base has increased from 77.33 lakh as of Aug'17 to 1.52 crore by 30 Apr'25, recording nearly 2x increase. In quarterly terms, from Sep'17 quarter to Sep'24 quarter, GST collections have seen a 2.5x rise, from Rs 2.1 lakh crore to Rs 5.3 lakh crore. On an annual basis, we have full year data only from FY19. Taking that into account, GST collections have risen by ~11% on CAGR basis up until FY25.

States in GST era: As per annual data available for how much each state was earning through taxes which have been subsumed in GST before it came into effect, it can be seen that majority of the states have benefitted significantly from uniform taxation. For states like Gujarat, Haryana, and Andhra Pradesh, data for pre-GST years is unavailable. Amongst others, apart from Chhattisgarh—which noted a decline in CAGR, other states have registered a stupendous growth.

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TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 1,304 | ⮝ 23%

TATA CONSUMER PRODUCTS | Consumer Staples | 24 July 2025

Need to get growth businesses on track

- **1QFY26 sales came in 1% below consensus and our estimates while EBITDA was 3% below consensus and 1% below our estimates**
- **Coffee plantations margins have contracted in line with correction in coffee prices and high-cost inventory**
- **Growth prospects from distribution gains driven sales and scale driven margin expansion in "Growth businesses" remain intact. Retain Buy**

Lokesh Gusain
research@bobcaps.in

1QFY26 result summary: Consolidated sales were +10% YoY, 1% below consensus and our estimates. EBITDA was -9% YoY; 3% below consensus and 1% below our estimates. In Tea, high-cost inventory is still flowing though while correction in coffee prices led to weaker margins in the non-branded business.

Tea dynamics in FY26: Tea agri output so far is favourable and prices are down in double digits vs last year. New inventory starts to flow in the Sep quarter with a full quarter impact in the Dec quarter. TCPL's profit improvement trajectory will follow this pattern as company expects tea margins to revert from the current mid-20s to the normalised mid-30s by the December 2025 quarter. We forecast margins to deteriorate in the September 2025 quarter before recovering in the 2HFY26.

Growth businesses up +7% vs +30% target: The drag was from NourishCo, Organic India and Capital Foods. NourishCo was adversely impacted on competition in soft beverages and unfavourable weather. OI had logistical issues in its overseas business, which is ~40% of its total sales. Unlike NourishCo and OI, Capital Foods sales growth was impacted by internal issues.

Issues (Temporary) in Capital Foods India business: CF's June 2025 quarter sales were pressured due to shortage of inventory and non-competitive pricing in bulk products in the noodles category. While these issues are now fixed, the reliability of 30% sales growth target is under scrutiny after multiple lapses in the past 1.5Yrs. On our estimates, TCPL has fallen short of the sales target in 3 of the past 5 quarters. We expect 30+% sales growth in 2Q and 3Q on easy year ago comps, but are cautious on 4Q due to strong growth in the last year. We reduce our Capital Foods sales growth assumptions to +20% for FY26 and +22% for FY27.

Our view: Normalisation of tea costs should help margins from 2HFY26. Medium to long term, overall margin profile should improve with the scale up in growth businesses and mix accretion from CF and OI. We value TCPL at 55x, in line with its 5Y historical average P/E on 12m to June 2027 EPS. Our TP changes to Rs1,304 from Rs 1,325. Share price return of 23% – Retain BUY.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	TATACONS IN/Rs 1,063
Market cap	US$ 11.7bn
Free float	64%
3M ADV	US$ 15.4mn
52wk high/low	Rs 1,258/Rs 883
Promoter/FPI/DII	34%/25%/41%

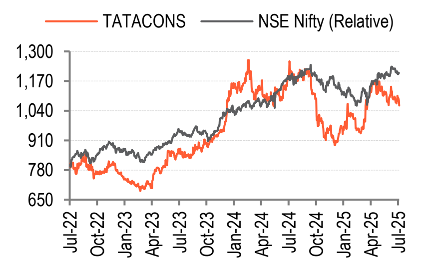
Source: NSE | Price as of 23 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	176,183	195,295	213,779
EBITDA (Rs mn)	24,794	28,044	33,920
Adj. net profit (Rs mn)	12,836	17,022	22,437
Adj. EPS (Rs)	13.0	17.2	22.7
Consensus EPS (Rs)	13.0	17.5	21.6
Adj. ROAE (%)	6.6	7.8	9.8
Adj. P/E (x)	81.9	61.8	46.9
EV/EBITDA (x)	40.9	36.1	29.6
Adj. EPS growth (%)	(13.1)	32.6	31.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 3,918 | ∀ 30%

PERSISTENT SYSTEMS | IT Services | 24 July 2025

Growth slows down a tad. Poised for mediocre returns at 48x

- **CC QoQ revenue growth at 3.3% was a tad soft. The company talked about delayed decision making and delayed ramp ups to be reasons**
- **Delayed salary hikes due to adverse demand conditions. Sticks to aspiration of US$2bn revenue and +200-300bps margin hike by FY27**
- **Estimates broadly maintained. maintain our target PE multiple which is at a premium to that of TCS by 25%. Retain SELL on valuation**

Girish Pai
research@bobcaps.in

Modest revenue slowdown: Against a run rate of >4% on a QoQ basis for the last few quarters, PSYS delivered 3.3% in CC growth in QoQ terms due to delayed ramp ups, delayed decision making and offshore shift of a large client. Despite this the company reiterated its aim to deliver industry leading growth in FY26. It also reiterated its FY27 target of hitting US$2bn through a combination of organic and inorganic growth with 200-300bps margin expansion from FY24 levels. It stated that the focus is on profitable growth and not on hiting the revenue target at any cost.

Macroeconomic uncertainty remains: Leading to a cautious behavior among clients. There is a delay in decision-making and deal closures. After driving growth in FY25 the healthcare and life sciences division is going to take a back seat. The BFSI and high-tech verticals are going to drive growth in FY26 with healthcare and life sciences growing but bringing up the rear.

Cost takeout and vendor consolidation deals will impact margins for Tier-2 players: With very little discretionary spending and the market largely driven by cost take out and vendor consolidation driven deals and clients wanting to work with vendors who can provide multi-tower services at the lowest cost, Tier-2 players like PSYS are at small disadvantage. This will force them to bid aggressively, impacting margins. This is already visible in the form of delayed salary hike in FY26, keeping utilization (including trainees) high at ~88-89%, reversing some of its earn out provisions (FY25), changing depreciation policy (FY25), etc.

Margin may not be a big lever to drive EPS growth from here on: Believe EBIT margins at 15-16% are high when compared to its peer set (which are at 13-15%) and even some of the Tier-1 companies. EPS growth, which benefited from margin expansion during the last 5 years will now be solely dependent on revenue growth.

Will give mediocre returns at 48x 12 forward earnings: With earnings likely to be largely revenue led (that too slowing) we believe that 48x 12 month forward PE is excessive. While returns in the long term may be positive if it executes well, we think they may be pedestrian in comparison to that seen since the pandemic.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	PSYS IN/Rs 5,606
Market cap	US$ 10.1bn
Free float	68%
3M ADV	US$ 32.4mn
52wk high/low	Rs 6,789/Rs 4,149
Promoter/FPI/DII	31%/24%/28%

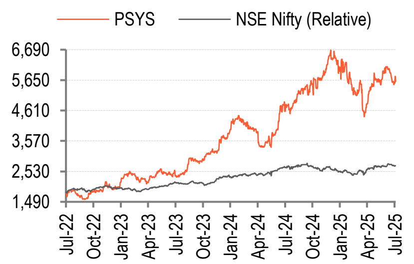
Source: NSE | Price as of 23 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	119,387	141,357	171,701
EBITDA (Rs mn)	20,581	25,738	32,053
Adj. net profit (Rs mn)	14,001	17,334	21,869
Adj. EPS (Rs)	90.2	111.0	140.0
Consensus EPS (Rs)	90.2	112.6	138.1
Adj. ROAE (%)	24.8	25.2	26.9
Adj. P/E (x)	62.2	50.5	40.0
EV/EBITDA (x)	41.8	33.3	26.7
Adj. EPS growth (%)	26.7	23.1	26.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 2,094 | ▲ 4%

UNITED BREWERIES | Consumer Staples | 24 July 2025

Premium sales and margin targets are stretched

- **Sales were above consensus while EBITDA was lower due to interstate taxes and weakness in high margin region of Karnataka**
- **Premium EBITDA/case can reach 2x vs non-premium assuming same bottle collection rates, which is less likely**
- **Premium focus is logical, but growth targets are stretched on both volumes and margins. HOLD with INR2,094 target price**

Lokesh Gusain
research@bobcaps.in

1QFY25 summary: Sales +16% YoY with EBITDA +9% YoY, as margins contracted ~70bps to 10.9%. Sales were above consensus but EBITDA lower due to margin headwinds from inter-state taxes, and soft Karnataka. Group volumes were +11% YoY with premium volumes rising 46%. We estimate non-premium volumes were +7%. Excluding the impact from 1QFY25 elections, group volumes increased 8%-9%. We estimate non-premium volumes were +7%. NSR/case increased 4% YoY.

Premium growth above required run rate but needs to sustain: For premium to achieve company target of 20% of beer sales over the next 3-5Yrs, we estimate the required volume growth run rate at ~40% (Click here for initiating coverage note). 1Q26 was only the second time in the past eight quarters when volume growth met / exceeded the required rate. We need to see at least 2-3 quarters of sustained higher than required run rate to be comfortable with the target and timeline. Meanwhile competition from AB InBev is intensifying given UB's focus on premium.

Premium margins can reach 2x vs non premium but need scale and an improbable bottle collection rate: We agree premium EBITDA/case can double vs non-premium. However, collection rates need to improve 5-10 percentage points. This is tough to achieve given incremental volume growth in premium is at least partly driven by rising share of at home consumption, where collection rates are low.

Our view: UB's strategy of increasing share of premium to create a buffer for its earnings is the right approach to reduce earnings volatility and improve returns. However, growth targets are stretched on both volumes and margins. We value the company in line with its 5Y historical average P/E of 64x on 12m to June 2027 EPS. Our TP is Rs 2,094 with an implied return of 4%. HOLD.

(Rs mn)	Actual			Reported vs (%)	
	1Q25	1Q26	YoY (%)	BoB	Cons.
Sales	24,751	28,643	15.7	5.3	2.2
EBITDA	2,854	3,109	8.9	(15.0)	(20.1)
EBITDA margin	11.5	10.9	(68bps)	(259bps)	(303bps)

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	UBBL IN/Rs 2,017
Market cap	US$ 6.2bn
Free float	29%
3M ADV	US$ 3.4mn
52wk high/low	Rs 2,300/Rs 1,810
Promoter/FPI/DII	71%/6%/18%

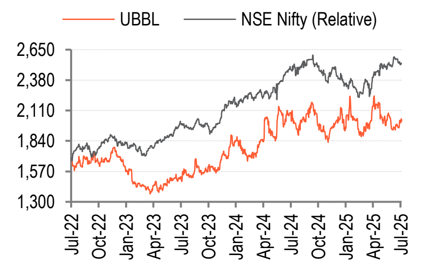
Source: NSE | Price as of 23 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	89,151	102,567	112,969
EBITDA (Rs mn)	8,408	11,287	13,530
Adj. net profit (Rs mn)	4,674	6,715	8,191
Adj. EPS (Rs)	17.7	25.4	31.0
Consensus EPS (Rs)	17.7	27.6	35.9
Adj. ROAE (%)	10.9	14.7	16.6
Adj. P/E (x)	114.1	79.4	65.1
EV/EBITDA (x)	63.2	47.3	39.5
Adj. EPS growth (%)	14.0	43.6	22.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 1,926 | ∀ 15%

DALMIA BHARAT | Cement | 23 July 2025

Realisations drive quarterly show; challenges not resolved

- **Revenue remains flat YoY (-11% QoQ) to Rs 36.4bn, as volume gains took a back in a chase to improve realisations gains**
- **Cost stays flat YoY, largely driven by raw material cost and energy expenses saving, likely to reverse in the medium term**
- **Maintain earnings, introduce FY28 earnings with 13% EBITDA gains, value at 12x EV/EBITDA 1YF. Maintain SELL; TP revised to Rs 1,926**

Milind Raginwar
research@bobcaps.in

Realisations driven by performance: DALBHARA's revenue remained flat YoY (-11% QoQ) at Rs 36.4bn in Q1FY26. The chase for realisations was the highlight of the quarter as volumes fell 6%19% YoY/QoQ to 7.0mt; though DALBHARA's sales (ex-JPA tolling) were flat YoY. Realisations rose 6%9% YoY/QoQ to Rs 5,194/t, driven by improved prices in the southern region (spike in prices) and stable prices in the East.

Cost stays flat; likely to reverse in medium term: Overall cost per tonne stayed flat YoY (+2.6% QoQ) at Rs 3,933/t. Power & fuel expenses (adjusted for raw material) fell ~8% YoY (-5% QoQ) to Rs 1,703/t, aided by lower fuel costs ($100/t vs $106/t in Q1FY25 and $95/t in Q4FY25) and higher renewable energy (RE) usage at 41%. The blended fuel cost was Rs 1.33/kcal. Logistics cost rose 2% YoY to Rs 1,135/t, due to an 8 km increase in lead distance to 280 km; though direct dispatch improved to 62%. Other expenditure remained stable at Rs 5.4bn YoY.

EBITDA gains on a weak base: EBITDA surged 32%/11% YoY/QoQ to Rs 8.8bn, supported markedly by realisation gains. EBITDA margin improved to 24.3% vs 18.5% in Q1FY25. EBITDA/t rose ~41% YoY to Rs 1,234/t. Adjusted PAT rose 48% YoY (-13% QoQ) to Rs 3.8bn from Rs 2.5bn in Q1FY25, aided by higher EBITDA.

Growth capex to drive capacities: Q1FY26 capex was Rs 6.1bn, focused on Umrangso clinker unit and Belgaum & Pune projects. FY26 capex is planned at Rs 40bn. Umrangso clinker unit of 3.6mt nears completion, with trial runs in Q2FY26 and commercial production in Q3FY26 ramping up total clinker capacity to 27.1mt.

Introduce FY28 earnings; maintain 12x multiple; retain SELL: We maintain our FY26/FY27 EBITDA estimates, factoring DALBHARA's mix choice of realisation chase and market share. We see no major substitutes for JAL assets. We introduce FY28 earnings with 13% EBITDA growth. Our FY25-FY28 Revenue/EBITDA/PAT CAGR is penned at 11%14.9%20%. We continue to assign the stock an EV/EBITDA of 12x 1YF given the growth trajectory and healthy balance sheet (as of now) and revise our TP to Rs 1,926 (from Rs1,742) on rollover. This reflects a replacement cost (implied) of Rs 8.5bn. Maintain our SELL rating on DALBHARA.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	DALBHARA IN/Rs 2,270
Market cap	US$ 4.9bn
Free float	44%
3M ADV	US$ 9.8mn
52wk high/low	Rs 2,343/Rs 1,601
Promoter/FPI/DII	56%/12%/8%

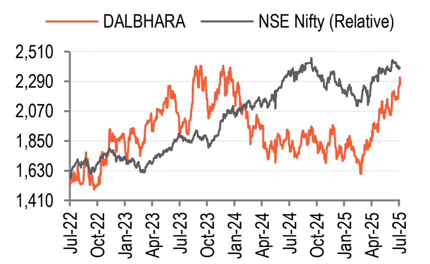
Source: NSE | Price as of 23 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,39,800	1,57,918	1,77,654
EBITDA (Rs mn)	24,070	27,600	32,324
Adj. net profit (Rs mn)	8,120	9,412	12,314
Adj. EPS (Rs)	42.7	50.9	66.6
Consensus EPS (Rs)	42.7	59.4	71.1
Adj. ROAE (%)	4.6	5.7	7.6
Adj. P/E (x)	53.1	44.6	34.1
EV/EBITDA (x)	18.1	14.8	12.1
Adj. EPS growth (%)	(4.9)	19.0	30.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
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Brand Name: **BOBCAPS**
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HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

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